

# EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

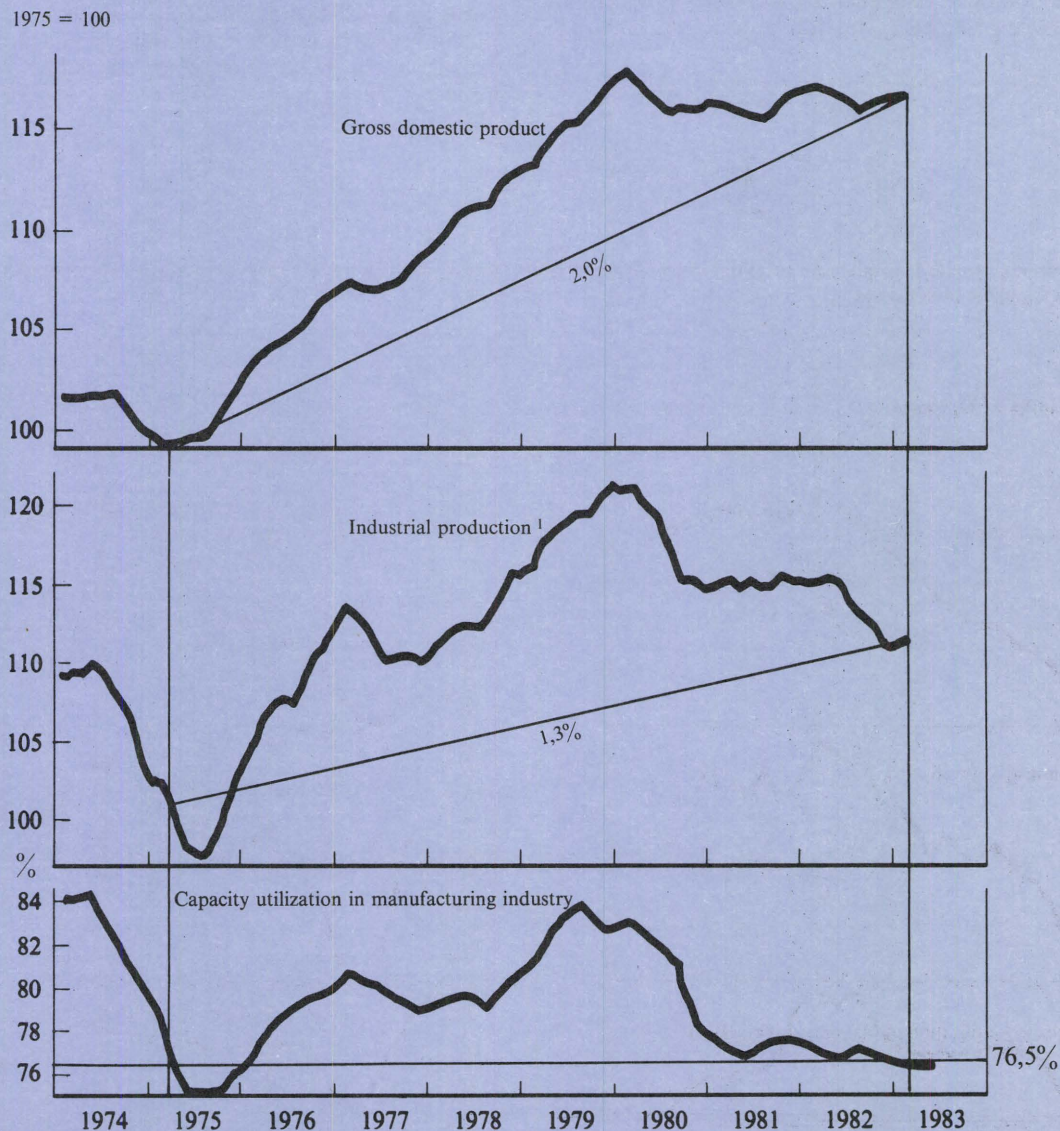
Supplement B — No 6 — June 1983

Business survey results

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*This month:  
Trends in production capacity*

GRAPH 1: Indicators of trends in production potential: annual average growth rates of production between periods of equal capacity utilization (%) — European Community



<sup>1</sup> Three-month moving average.  
Source: Eurostat and EC business surveys.



**Slow growth of production potential.** — The level of capacity utilization in Community industry declined steadily between the second quarter of 1979 and the first quarter of 1983, remaining unchanged in the second quarter of this year, at 76,5%, a very low level. Industrial capacity utilization may, in fact, have reached a cyclical trough in the first half of this year, so that a comparison of production growth since the corresponding period in the 1974/75 recession may provide an insight into the growth of production capacity in the economy over the past eight years.<sup>1</sup> The equivalent level of capacity utilization to that of the first quarter of 1983 is found, for the Community as a whole, in April 1975 (see Graph 1 and Table 1).

Industrial production in the Community grew at an annual rate of 1,3% between these two periods. This very weak industrial growth performance between periods of equivalent capacity utilization (in 1975 and 1983) suggests that only a weak extension of EC industrial production capacity has taken place over the past seven years.

Gross domestic product in the Community increased faster on average than industrial output—by an annual rate of 2,0% between the second quarter of 1975 and first quarter of 1983, the dates of equal levels of capacity utilization in industry. If the rate of capacity utilization in the economy as a whole moved in parallel with that in industry between 1975 and 1983, the growth of production potential could then be taken to have been 2,0% annually over this period. However, there is no comparable evidence on capacity utilization for the economy as a whole, and so it is not possible to say for sure whether for GDP this trend growth rate was also a good indicator of the potential growth rate.

At the Member State level, the same approach, based on capacity utilization, indicates that over the 1975-83 period industrial production potential generally increased more slowly than gross domestic product. Industrial production potential

TABLE 1: Growth in production potential

Change (% annual average) in industrial production and gross domestic product between periods of equal levels of industrial capacity utilization (adjusted for seasonality)

	Capacity utilization in industry		Industrial production change at annual rate (%)	Gross domestic product change at annual rate (%)
	Levels (%)	Dates observed		
B	76	May 75	February 83	1,2
D	75,5	August 75	February 83	1,6
F	81,7	December 74	February 83	1,2
I	70,5	April 75	February 83	2,6
NL	76	August 75	September 82	1,8
UK	75	May 76	February 83	0,5
EC	76,5	April 75	February 83	1,3

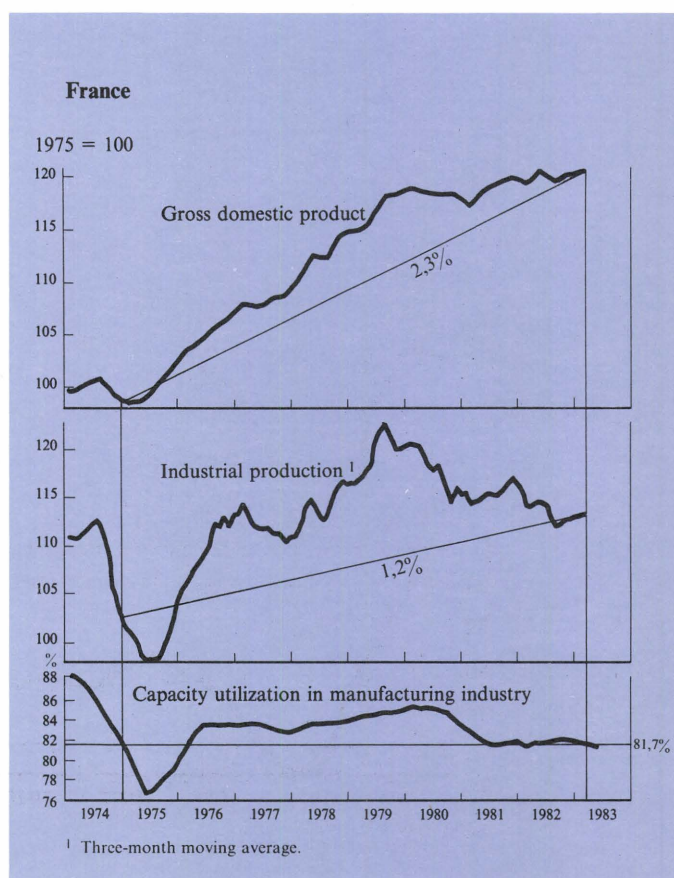
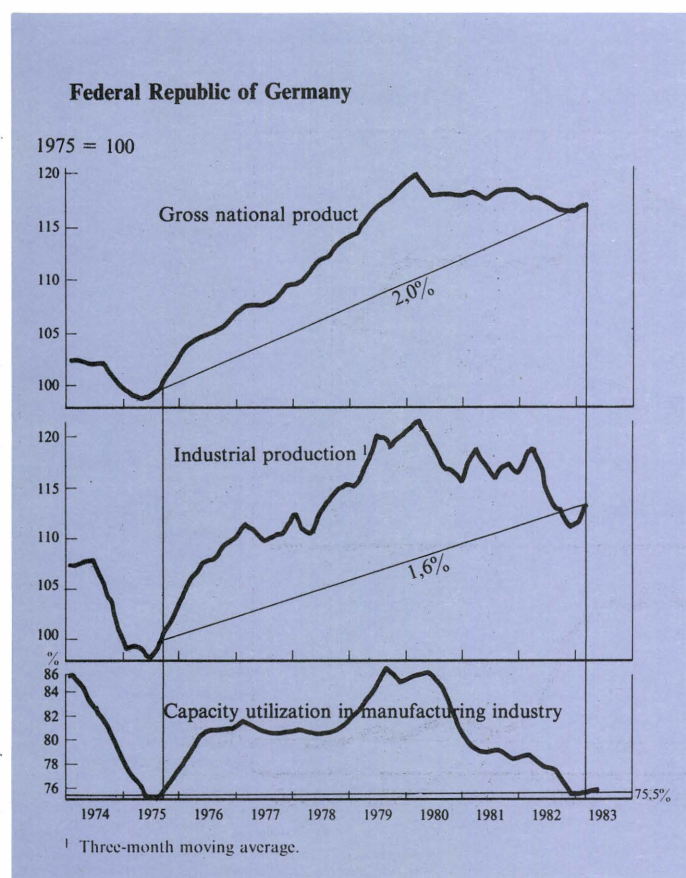
grew between 0,5% annually in the United Kingdom and 2,6% in Italy, while GDP is estimated to have grown by an annual average of between 0,9% (in the United Kingdom) and 2,3% (in France).

The persistence of positive industrial growth rates in the presence of smaller accretions to the capital stock between periods (comparing 1975 to 1983) with comparable rates of industrial capacity utilization suggests rising productivity of capital employed. This is probably accounted for by the embodiment of more advanced technology in new investment, in the presence of profit pressures brought about by high labour costs and weak aggregate demand.

**Unchanged economic climate.** — The economic sentiment indicator rose by only 0,2 percentage points at EC level in May, the smallest increase noted since the beginning of the present recovery. The slowdown in the trend of economic sentiment

<sup>1</sup> For an earlier application of this method, see *European Economy* No 9 (July 1981), pp. 58-64.

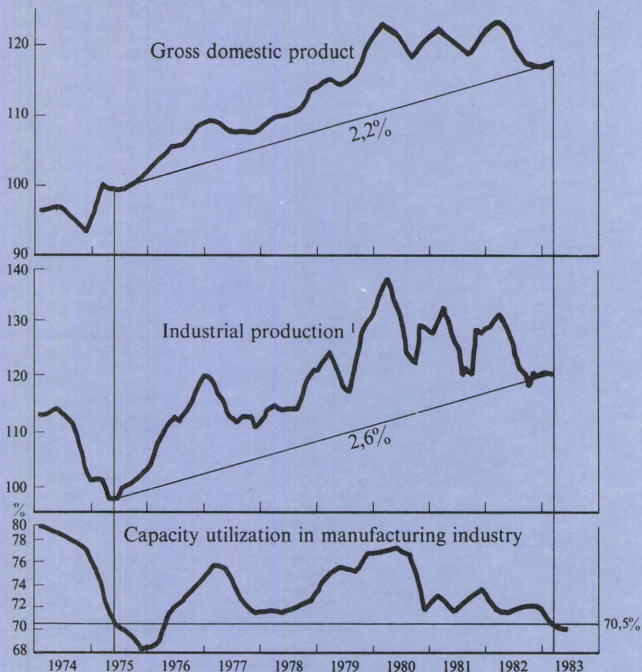
GRAPH 2: Indicators of trends in production potential in six Member States: annual average growth rates of production between periods of equal capacity utilization (%)





## Italy

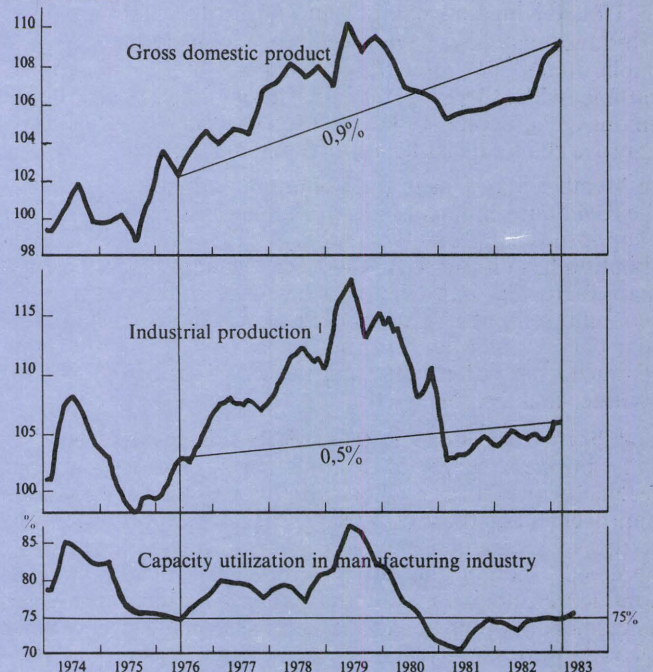
1975 = 100



<sup>1</sup> Three-month moving average.

## United Kingdom

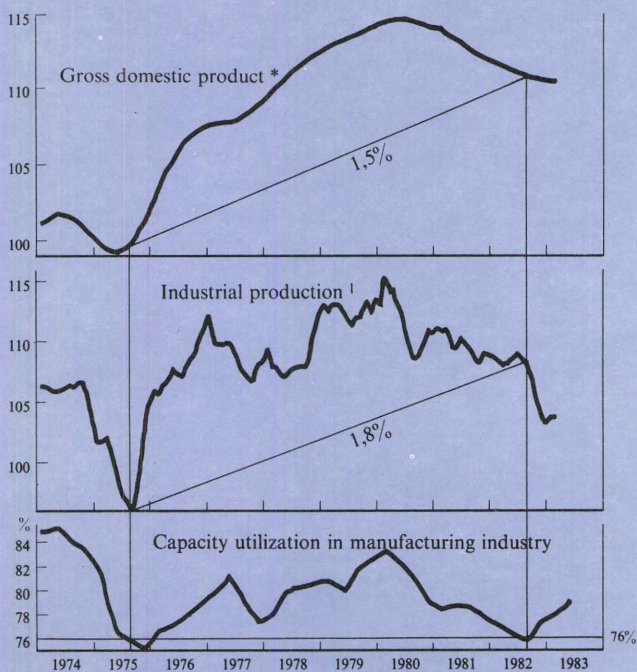
1975 = 100



<sup>1</sup> Three-month moving average.

## The Netherlands

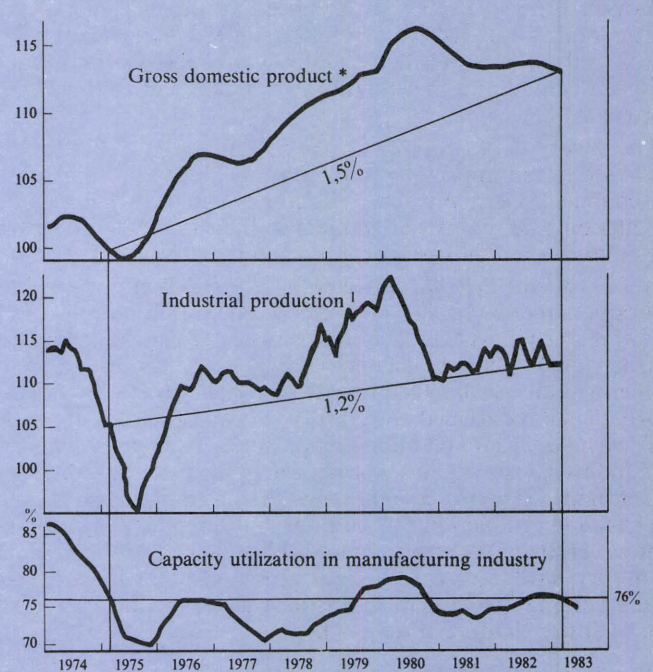
1975 = 100



<sup>1</sup> Three-month moving average.  
\* Quarterly interpolated annual data.

## Belgium

1975 = 100



<sup>1</sup> Three-month moving average.  
\* Quarterly interpolated annual data.



reflects the fact that the industrial confidence indicator was unchanged last month, while the rates of progress of the other components of the sentiment indicator have slowed down. This holds, in particular, for the share price index which has been subject to various influences. The announcement of elections in the United Kingdom and Italy may have affected these markets; arbitrages may also have taken place, as between shares and public funds. The strength of the Paris Stock Exchange—at variance with other confidence indicators—suggests the opinion amongst shareholders that the present austerity measures will improve the financial health of French companies.

In Member States, as in the Community at large, variations in the economic sentiment indicator are limited by the occurrence of opposite changes in its components. However, in Belgium the situation has improved on the stock exchange as well as in the manufacturing and the construction industries, so that economic sentiment, broadly defined, advanced substantially in that country in May. On the other hand, French economic sentiment has fallen, reflecting the weakness of the industrial confidence indicator.

**Stabilization in Community industrial business confidence.** — The May business survey in manufacturing industry produced results for the EC as a whole which represent only a marginal improvement on those of April. The level of export order-books is the sole variable in which a significant advance can be observed, though the three components of the industrial confidence indicator (production expectations, the overall assessment of order-books and judgment on the level of stocks) all advanced slightly. There was a more substantial rise in selling-price expectations.

The stability in business confidence in Community industry reflects the averaging of a marked deterioration of the business climate in France against mildly positive trends in the rest of the EC. This steady improvement in the industrial confidence indicator observed in the rest of the Community holds for each component of the index. The forward-looking indicator, production expectations, has shown the most significant advance, looking at the whole period since the beginning of the year.

The least pronounced change has occurred in assessments of finished product stocks, a variable relating to the current state of business. Overall, information points towards a recovery under way but one which has not yet become strongly established. Indeed, the improvement in production expectations has more recently been slowing down. It is thus unclear whether the upswing at present amounts to more than a reconstitution of inventories or whether it is the beginning of a phase of more general cyclical recovery.

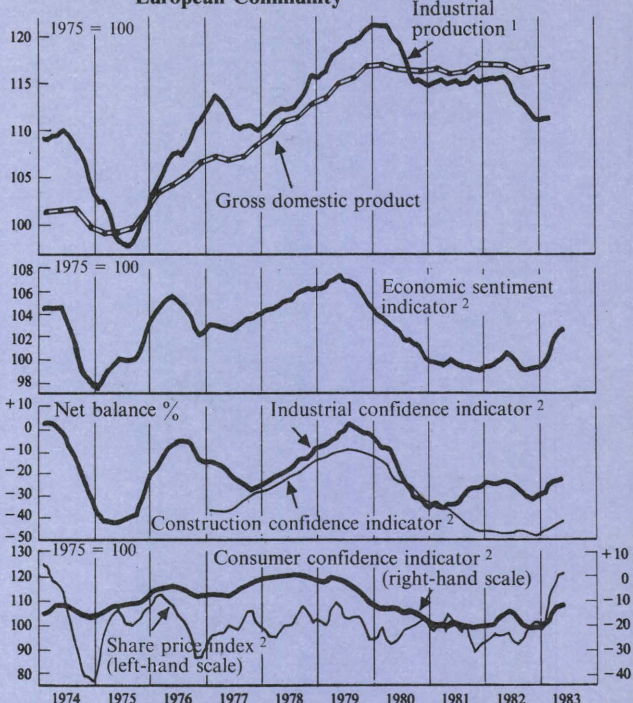
**Industrial business confidence in the Member States.** — In recent months, the recovery in business confidence within the Community was led by Germany and the United Kingdom, followed by the Benelux countries, while Italy and France lagged behind and the situation was unclear in Denmark and Ireland.

The survey data collected in May confirm that the industrial climate is still improving, though more slowly, in the Federal Republic of Germany and is progressing actively in the United Kingdom: the industrial confidence indicator rose in May by 1 point in the first case and by 4 points in the second.

In the *Federal Republic of Germany*, the sharp improvement in production expectations registered in the earlier months of this year may be in part a reaction to more optimistic judgments on order-books (noted since February) and has probably influenced the relatively fast rate at which stocks of finished products have seemed to return to normal in April and May. The available data on industrial production show that the level of industrial activity has indeed risen in the Federal Republic of Germany, so that it is higher now than at the end of last year. The fall in production expectations registered in May indicates, however, that expansion cannot yet be taken for granted in that country, with the recovery from recession still at an early stage (the volume of German industrial output in March was still 0.3% lower than in March 1982).

In the *United Kingdom*, the components of the industrial confidence indicator are all at the highest level observed for several years (since June 1979, for production expectations,

GRAPH 3: Indicators of output and economic sentiment — European Community



<sup>1</sup> Three-month moving average.

<sup>2</sup> See notes to Table 2 and box on page 8.

December 1979, for order-books and February 1980 for stocks of finished products) thanks to recently-observed improvements. The contrast between the nature of the recovery in business confidence in Germany and the United Kingdom is underlined by the behaviour of export order-books, not taken into account in the computation of the industrial confidence indicator: the UK indicator of export prospects is now 12 points better than in April and 8 points above its March 1983 level, while for Germany the corresponding figures are -4 and -7. In the *Benelux* countries the industrial survey trends look similar to those in the United Kingdom, with an apparent lag. Production expectations are improving fastest, while judgments on finished stocks are stationary. This corresponds to the British pattern observed during the first quarter of this year.

In *Italy*, although judgments on order-books have not improved since December 1982, the greater optimism of companies as regards production and stocks resulted in a gain of 2 points for the industrial confidence indicator in May, the same as in the Netherlands and in Belgium. This contrasts with the severe deterioration observed of the three components of the industrial confidence indicator for France. It should, however, be noted that opinions on the level of export order-books are improving again in the latter country, after the deterioration of the two previous months and in line with the evolution of the trade balance.

20 June 1983

TABLE 1: Capacity utilization in manufacturing industry (%) (a)

		1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
<b>B</b>	year	83,4	71,8	75,1	72,6	71,9	76,1	77,6	74,0	75,7	:
	quarter 1	86,5	76,5	73,1	75,4	71,9	74,4	78,8	73,7	74,4	76,1
	2	84,7	70,9	75,9	73,1	71,0	74,6	79,1	74,4	75,2	74,8
	3	82,1	70,1	75,8	71,7	71,4	77,5	78,0	73,2	76,5	:
	4	80,2	69,8	75,6	70,2	73,2	77,7	74,4	74,7	76,6	:
<b>D</b>	year	82,5	76,0	80,2	80,8	80,8	84,2	84,1	78,9	77,3	:
	quarter 1	85,3	77,1	78,4	81,5	80,9	82,3	85,3	79,4	78,9	75,4
	2	83,3	75,2	80,5	80,8	80,4	83,6	85,6	78,8	77,7	75,7
	3	81,8	75,1	80,9	80,5	80,5	86,0	84,5	79,1	77,4	:
	4	79,5	76,7	80,8	80,5	81,2	84,7	81,1	78,4	75,3	:
<b>F</b>	year	85,8	78,4	83,0	83,4	83,7	84,7	85,0	82,1	81,9	:
	quarter 1	88,3	80,3	81,5	83,6	83,2	84,4	85,6	82,9	81,5	81,8
	2	87,2	76,6	83,6	83,7	83,9	84,5	85,3	81,9	81,6	81,6
	3	84,8	77,7	83,5	83,3	83,7	84,8	85,1	81,6	82,1	:
	4	82,8	79,0	83,4	82,9	83,8	84,9	83,8	82,0	82,3	:
<b>IRL</b>	year	:	:	:	:	:	:	65,0	60,9	59,1	:
	quarter 1	:	:	:	:	:	:	68,4	59,3	61,6	56,9
	2	:	:	:	:	:	:	66,9	60,6	58,9	59,5
	3	:	:	:	:	:	:	62,1	62,4	59,0	:
	4	:	:	:	:	:	:	62,5	61,1	56,9	:
<b>I</b>	year	78,2	70,7	71,9	73,8	72,0	75,6	75,7	72,8	71,9	:
	quarter 1	79,2	74,4	68,7	75,9	71,7	74,7	77,1	73,1	71,7	70,4
	2	78,5	70,5	71,8	75,3	71,5	75,6	77,3	71,6	71,6	70,1
	3	77,9	69,6	72,9	72,6	72,0	75,1	76,7	72,7	72,2	:
	4	77,2	68,2	74,2	71,5	72,7	76,8	71,8	73,8	72,2	:
<b>L</b>	year	:	:	:	:	:	:	79,5	73,5	78,3	:
	quarter 1	:	:	:	:	:	:	79,3	76,3	75,3	73,4
	2	:	:	:	:	:	76,0	83,0	69,0	81,0	70,5
	3	:	:	:	:	:	77,9	77,9	72,8	79,5	:
	4	:	:	:	:	:	75,8	77,9	75,8	77,5	:
<b>NL</b>	year	84,3	77,1	77,7	79,3	79,7	81,2	81,3	78,4	76,8	:
	quarter 1	84,8	81,0	76,7	79,8	78,0	80,8	83,2	78,3	77,2	78,1
	2	85,2	76,3	77,2	81,2	80,0	79,8	82,2	78,8	76,3	79,2
	3	83,8	75,8	77,9	78,9	80,3	81,8	81,0	78,6	75,8	:
	4	83,2	75,1	78,9	77,3	80,6	82,4	78,9	77,8	77,7	:
<b>UK (b)</b>	year	82,5	77,7	76,1	79,2	79,2	84,4	76,4	72,5	74,3	:
	quarter 1	78,5	82,7	75,2	80,2	79,4	81,4	81,1	71,0	74,1	74,8
	2	85,4	76,7	74,7	79,5	79,2	87,6	76,9	70,6	73,2	75,3
	3	84,1	75,5	76,6	79,5	77,2	86,5	75,5	73,7	74,8	:
	4	82,0	75,7	77,8	77,7	81,0	82,0	72,0	74,7	74,9	:
<b>EC (c)</b>	year	82,9	76,2	78,6	79,8	79,5	82,7	81,2	77,4	77,0	:
	quarter 1	84,0	79,0	76,9	80,7	79,3	81,2	83,1	77,4	77,3	76,4
	2	84,2	75,2	78,6	80,1	79,5	83,1	82,2	76,8	76,7	76,4
	3	82,5	75,0	79,3	79,5	79,0	83,8	81,3	77,6	77,3	:
	4	80,7	75,6	79,7	78,8	80,3	82,7	78,3	77,7	76,7	:

(a) Adjusted for seasonality.

(b) The series for the United Kingdom are estimated using the national (Confederation of British Industry) data on the percentage of firms reporting below-capacity working.

(c) Column totals, with country data weighted by the volume of industrial production in 1975.

Source: European Community business surveys.



TABLE 2: Indicators of output and economic sentiment

		Trough 1974/75	1980	1981	1982	1982			1983	1982	1983				
						II	III	IV	I	Dec.	Jan.	Febr.	March	April	May
<b>B</b>	<i>gross domestic product</i>	1975=													
	<i>index of industrial production</i>	100	96,6	115,4	111,0	111,9	113,2	111,2	111,6	106,5	113,2	112,9	:	:	
	1. industrial confidence indicator		-56	-22	-27	-22	-17	-21	-26	-23	-24	-24	-22	-22	-20
	2. construction confidence indicator		-36	-28	-47	-48	-45	-51	-52	-54	-52	-56	-61	-58	-57
	3. consumer confidence indicator <sup>1,4</sup>		-18	-20	-27	-27	-26	-27	-28	-31					
	4. share-price index <sup>4</sup>		85,4	87,2	71,1	87,1	85,4	87,0	90,4	97,5	93,9	95,8	102,9	109,2	111,3
	= 5. economic sentiment indicator		99,3	100,2	97,8	99,0	99,3	99,0	98,8	98,9	98,8	98,7	99,2	99,6	100,0
<b>D</b>	<i>gross national product</i>	1975=	99,0	119,0	118,9	117,9	117,9	116,9	116,7	117,4	:	:	:	:	:
	<i>index of industrial production</i>	100	97,9	118,6	116,9	114,0	116,0	112,1	110,6	112,8	109,9	112,1	112,1	114,2	:
	1. industrial confidence indicator		-49	-14	-30	-33	-30	-35	-38	-30	-36	-34	-29	-28	-24
	2. construction confidence indicator		-72	-18	-48	-59	-56	-57	-59	-48	-56	-52	-51	-42	-39
	3. consumer confidence indicator <sup>1,4</sup>		-22	-5	-22	-26	-22	-28	-28	-17	-29	-24	-18	-9	-7
	4. share-price index <sup>4</sup>		73,9	98,2	100,3	100,1	100,6	97,1	102,7	112,0	105,6	106,5	109,9	119,6	128,8
	= 5. economic sentiment indicator		98,8	101,9	98,9	98,2	99,6	98,0	97,7	99,7	97,8	98,5	99,5	101,1	102,2
<b>F</b>	<i>gross domestic product</i>	1975=	98,5	116,2	116,4	118,9	120,2	119,6	120,5	120,9	:	:	:	:	:
	<i>index of industrial production</i>	100	97,3	118,7	115,8	113,9	115,2	112,5	113,4	114,0	112,5	114,3	114,3	113,4	:
	1. industrial confidence indicator		-49	-15	-30	-17	-13	-18	-20	-18	-19	-19	-17	-18	-19
	2. construction confidence indicator		:	-21	-36	-49	-49	-50	-50	-44	:	-44	:	:	-50
	3. consumer confidence indicator <sup>1,4</sup>		-9	-10	-9	-5	-3	-7	-10	-9	:	:	:	:	:
	4. share-price index <sup>4</sup>		75,7	141,2	124,9	124,2	128,1	118,2	123,4	136,3	124,5	132,4	135,1	141,4	153,0
	= 5. economic sentiment indicator		98,1	100,9	98,9	98,9	99,6	98,5	98,2	98,9	98,3	98,9	98,9	98,8	98,4
<b>IRL</b>	<i>gross domestic product</i>	1975=		121,5	123,6	:									
	<i>index of industrial production</i>	100	96,3	133,2	134,3	135,7	136,7	135,2	136,3		134,5	144,5	141,5	:	:
	1. industrial confidence indicator		-41	-31	-18	-19	-11	-25	-24	-26	-27	-21	-28	-28	-25
	2. construction confidence indicator		:	-49	-33	-51	-35	-44	-76	-77	-82	-76	-81	-75	-54
	3. consumer confidence indicator <sup>1,4</sup>		-41	-22	-28	-34	-31	-35	-39	-36					
	4. share-price index <sup>4</sup>		55,9	187,0	194,0	159,8	153,7	154,5	161,2	165,0	153,2	154,9	168,5	171,5	190,8
	= 5. economic sentiment indicator		97,7	101,9	102,0	101,4	102,0	101,7	100,4	100,9	100,2	100,6	100,9	101,2	102,0
<b>I</b>	<i>gross domestic product</i>	1975=	93,1	120,8	120,6	120,4	121,5	118,7	118,5	118,9	:	:	:	:	:
	<i>index of industrial production</i>	100	94,7	130,4	127,5	124,6	126,7	120,8	120,0	120,4	119,6	119,8	122,4	119,0	:
	1. industrial confidence indicator		-59	-13	-31	-31	-27	-33	-36	-35	-35	-36	-33	-36	-35
	2. construction confidence indicator		-56	-22	-18	-29	-29	-26	-26	-35	-33	-43	-29	-34	-39
	3. consumer confidence indicator <sup>1,4</sup>		-39	-22	-22	-18	-14	-21	-26	-25	-26	-30	-25	-22	-21
	4. share-price index <sup>4</sup>		96,5	120,3	182,6	147,2	147,9	136,7	145,3	168,7	149,0	149,9	173,8	182,3	182,9
	= 5. economic sentiment indicator		99,1	102,2	102,1	101,8	102,9	101,3	99,5	100,4	100,1	99,4	100,7	101,0	101,0
<b>NL</b>	<i>gross domestic product</i>	1975=		113,3	112,1	111,1	111,1	110,8	110,5	110,4					
	<i>index of industrial production</i>	100	98,0	112,5	110,6	106,6	107,3	104,0	104,3	107,3	106,0	107,0	108,0	107,0	:
	1. industrial confidence indicator		-44	-12	-25	-25	-26	-26	-23	-20	-23	-22	-19	-19	-17
	2. construction confidence indicator		-47	-24	-32	-41	-42	-42	-40	-42	-40	-42	-42	-41	-36
	3. consumer confidence indicator <sup>1,4</sup>		-19	-25	-31	-32	-28	-33	-37	-34					
	4. share-price index <sup>4</sup>		77,4	89,6	94,7	96,2	97,6	92,4	102,6	118,1	106,1	111,5	115,9	126,8	135,7
	= 5. economic sentiment indicator		99,6	99,4	98,3	98,1	98,4	97,8	98,1	99,0	98,3	98,5	98,9	99,6	100,3
<b>UK</b>	<i>gross domestic product</i>	1975=	98,1	107,6	105,1	106,6	106,5	107,7	109,8	110,6	:	:	:	:	:
	<i>index of industrial production</i>	100	98,6	107,3	103,6	104,5	104,7	104,7	104,4	105,9	105,4	105,4	106,8	105,5	:
	1. industrial confidence indicator		:	-43	-33	-25	-24	-25	-28	-21	-27	-25	-20	-17	-14
	2. construction confidence indicator		:	-30	-51	-42	-45	-38	-38	-31	:	-31	:	:	-32
	3. consumer confidence indicator <sup>1,4</sup>		-33	-18	-21	-12	-7	-8	-7	-6	-10	-5	-9	-4	-2
	4. share-price index <sup>4</sup>		41,4	177,5	200,1	231,7	222,1	232,4	261,2	284,4	260,6	265,5	272,2	315,4	326,3
	= 5. economic sentiment indicator		95,0	101,5	100,9	101,8	101,4	102,1	102,5	103,1	102,3	102,7	102,8	103,8	104,1
<b>EC</b>	<i>gross domestic product</i> <sup>2,3</sup>	1975=	99,0	116,2	115,8	116,2	116,9	116,2	116,7	117,3	:	:	:	:	:
	<i>index of industrial production</i>	100	96,8	117,2	114,2	112,8	114,3	112,2	110,3	110,9	109,3	111,4	111,0	110,3	:
	1. industrial confidence indicator		-49	-20	-31	-27	-24	-28	-30	-25	-29	-28	-24	-24	-23
	2. construction confidence indicator		:	-23	-39	-43	-47	-45	-48	-41	(-46)	-44	(-41)	(-39)	-41
	3. consumer confidence indicator <sup>1,4</sup>		-17	-13	-19	-17	-14	-19	-20	-16	-21	-19	-17	-13	-12
	4. share-price index <sup>4</sup>		65,1	138,6	152,1	166,1	162,6	164,4	180,2	201,0	181,5	183,4	205,7	213,9	224,4
	= 5. economic sentiment indicator		97,4	102,4	99,9	100,1	100,6	100,0	99,4	100,9	99,3	99,8	101,0	102,0	102,6

<sup>1</sup> Quarterly series are constructed by attributing results of the January, May and October surveys to the first, second and fourth quarters respectively. Third quarter data are interpolated between second and fourth quarter values. For the message of construction of the indicator, see: *European Economy - Supplement C*.

<sup>2</sup> Weighted total of quarterly figures for the Federal Republic of Germany, France, Italy and the UK.

<sup>3</sup> For the Federal Republic of Germany, gross national product.

<sup>4</sup> Not seasonally adjusted.

For definitions of series 1 to 5, see Tables 3 and 4 and box on page 8.

Source: European Community business surveys and Eurostat.

**TABLE 3: Monthly survey of manufacturing industry** — Monthly questions and the composite industrial confidence indicator (a)  
 Net balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.) (b)

		Range (c)		1980	1981	1982	1982			1983	1982	1983				
		Peak	Trough				II	III	IV	I	Dec.	Jan.	Feb.	March	April	May
		1972/73	1974/75													
B	production expectations	+31	-56	-24	-26	-18	-12	-16	-25	-23	-25	-24	-23	-23	-20	-16
	order-books	+13	-74	-31	-45	-40	-38	-37	-41	-39	-43	-38	-41	-38	-38	-36
	export order-books	+15	-82	-36	-47	-40	-38	-39	-49	-39	-38	-38	-40	-39	-37	-35
	stocks of finished products	-14	+37	+11	+11	+8	+3	+10	+11	+8	+9	+10	+7	+6	+9	+9
	selling-price expectations	+64	-10	+20	+29	+28	+33	+23	+23	+23	+24	+23	+22	+24	+22	+23
	industrial confidence indicator	+19	-56	-22	-27	-22	-18	-21	-26	-23	-26	-24	-24	-22	-22	-20
DK	production expectations	:	:	-4	-3	+3	+16	-7	+16	-8	:	:	:	:	:	:
	order-books	:	:	-6	-24	-17	-14	-23	-17	-9	:	:	:	:	:	:
	export order-books	:	:	+9	-8	-4	-3	-12	-1	-5	:	:	:	:	:	:
	stocks of finished products	:	:	+16	+17	+16	+15	+19	+18	+10	:	:	:	:	:	:
	industrial confidence indicator	:	:	-9	-15	-10	-4	-16	-6	-9	:	:	:	:	:	:
	D	production expectations	+17	-32	-10	-17	-20	-14	-22	-28	-12	-25	-19	-11	-5	-1
order-books		-5	-73	-21	-46	-53	-51	-56	-57	-54	-55	-57	-52	-53	-48	-46
export order-books (d)		+23	+33	-4	-1	-7	-3	-9	-13	-9	-13	-14	-9	-5	-10	-13
stocks of finished products		-7	+43	+11	+26	+26	+25	+27	+29	+25	+27	+25	+24	+26	+23	+19
selling-price expectations		+55	+4	+26	+32	+18	+19	+17	+12	+6	+9	+4	+6	+9	+14	+15
industrial confidence indicator		+10	-49	-14	-30	-33	-30	-35	-38	-30	-36	-34	-29	-28	-24	-23
F	production expectations	+33	-29	-6	-11	-4	+1	-5	-13	-9	-12	-11	-10	-6	-10	-15
	order-books	+26	-69	-22	-46	-30	-28	-33	-30	-32	-30	-30	-29	-36	-34	-38
	export order-books	+24	-66	-29	-47	-36	-36	-34	-40	-42	-38	-41	-38	-47	-47	-44
	stocks of finished products	-14	+50	+17	+34	+16	+13	+16	+16	+13	+15	+16	+11	+12	+14	+22
	selling-price expectations	+76	+15	+50	+54	+49	+54	+30	+60	+44	+55	+45	+43	+45	+44	+50
	industrial confidence indicator	+29	-49	-15	-30	-17	-13	-18	-20	-18	-19	-19	-17	-18	-19	-25
IRL	production expectations	:	-21	-12	-1	-4	+1	-8	-8	-8	-13	+5	-13	-15	-15	-9
	order-books	:	-68	-50	-36	-39	-26	-45	-47	-53	-52	-53	-52	-54	-55	-49
	export order-books	:	-22	-6	+2	-7	+2	-14	-4	-10	-3	-11	-8	-11	-6	-12
	stocks of finished products	:	+35	+31	+16	+14	+9	+21	+18	+17	+17	+15	+19	+16	+6	+14
	selling-price expectations	:	+64	+43	+41	+35	+40	+27	+26	+28	+24	+30	+20	+33	+37	+24
	industrial confidence indicator	:	-41	-31	-18	-19	-11	-25	-24	-26	-27	-21	-28	-28	-25	-24
I	production expectations	+40	-43	-7	-16	-15	-8	-19	-24	-19	-24	-20	-19	-17	-18	-13
	order-books	+30	-82	-22	-49	-53	-49	-53	-58	-62	-57	-63	-57	-66	-62	-63
	export order-books	+13	-67	-37	-45	-49	-45	-51	-53	-55	-50	-54	-51	-59	-57	-54
	stocks of finished products	-24	+53	+11	+28	+25	+23	+28	+27	+24	+23	+26	+23	+24	+26	+22
	selling-price expectations	+76	+10	+63	+59	+50	+48	+54	+48	+43	+47	+42	+46	+40	+43	+48
	industrial confidence indicator	+31	-59	-13	-31	-31	-27	-33	-36	-35	-35	-36	-33	-36	-35	-33
L	production expectations	+84	-80	-33	-39	-40	-43	-45	-36	-27	-35	-47	-28	-6	-8	0
	order-books	:	:	-42	-62	-60	-49	-62	-68	-62	-72	-58	-61	-67	-61	-62
	export order-books	:	:	-52	-81	:	-78	-77	-78	-63	-82	-61	-61	-67	-68	-75
	stocks of finished products	-14	+74	+63	+28	+14	+7	+13	+25	+51	+50	+47	+49	+57	+23	+23
	selling-price expectations	:	-46	+8	+60	+10	+9	-23	-14	+25	-13	-7	+38	+44	+49	+52
	industrial confidence indicator	:	:	-46	-43	-38	-37	-39	-43	-47	-52	-51	-51	-43	-30	-28
NL	production expectations	+26	-26	-3	-6	-5	-1	-5	-9	-4	-8	-4	-4	-5	-1	+3
	order-books	+7	-48	-20	-37	-39	-40	-41	-36	-38	-38	-42	-37	-36	-34	-32
	stocks of finished products	-3	+57	+15	+32	+33	+36	+32	+24	+17	+22	+20	+16	+16	+15	+15
	industrial confidence indicator	+12	-44	-13	-25	-26	-26	-26	-23	-20	-23	-22	-19	-19	-17	-15
UK	production expectations	:	:	-30	-4	+1	+1	+1	-5	+4	-6	-4	+5	+11	+12	+14
	order-books	:	:	-65	-69	-54	-52	-53	-56	-48	-57	-52	-49	-44	-40	-31
	export order-books	:	:	-45	-55	-48	-46	-50	-53	-47	-54	-52	-50	-39	-43	-31
	stocks of finished products	:	:	+34	+27	+23	+21	+24	+23	+18	+18	+19	+16	+18	+14	+13
	selling-price expectations	:	:	+36	+25	+27	+26	+27	+17	+21	+18	+16	+22	+24	+23	+27
	industrial confidence indicator	:	:	-43	-33	-25	-24	-25	-28	-21	-27	-25	-20	-17	-14	-10
EC (e)	production expectations	+24	-30	-13	-13	-11	-6	-13	-17	-9	-17	-15	-9	-4	-4	-4
	order-books	+15	-70	-31	-51	-47	-45	-49	-49	-47	-50	-49	-47	-48	-44	-43
	export order-books	+14	-48	-24	-31	-30	-27	-31	-34	-32	-33	-34	-31	-30	-32	-28
	stocks of finished products	-10	+48	+17	+28	+22	+20	+23	+23	+19	+21	+21	+17	+19	+18	+19
	selling-price expectations	+64	+9	+38	+40	+32	+33	+28	+30	+24	+29	+22	+25	+25	+28	+31
	industrial confidence indicator	+16	-49	-20	-31	-27	-24	-28	-30	-25	-29	-28	-24	-24	-22	-22

(a) The indicator is an average of the responses (net balances) to the questions on production expectations, order-books and stocks (the latter with inverted sign).

(b) Details of the questions are given on the last page.

(c) These are the extreme (high and low) values of the net balances of the different questions, reached in the course of 1972/73 and 1974/75, respectively.

(d) The series for the Federal Republic of Germany concerns the export outlook, rather than orders as such.

(e) Not including Greece, where the survey time series are too short to permit an analysis of trends. (The Community survey was extended to Greece at the beginning of 1981.)

Note: (s.a.) = seasonally adjusted.

: = not available.

The annual and quarterly figures are averages of the corresponding monthly data. The seasonal adjustment applied to the most recent observations is provisional, so that such data are subject to later revision.

Source: European Community business surveys.

TABLE 4: Survey of the construction industry

Net balances: i.e. differences between the percentages of respondents giving positive and negative replies (s.a.) (b)

		Range (c)		1980	1981	1982	1982			1983	1982	1983				
		Peak 72/73	Trough 74/75				II	III	IV			I	Dec.	Jan.	Feb.	March
<b>B</b>	order-books	-13	-47	-32	-53	-61	-55	-65	-68	-71	-70	-72	-72	-68	-70	-73
	employment expectations	+31	-24	-23	-41	-36	-35	-37	-37	-41	-38	-31	-40	-53	-46	-44
	price expectations	+75	+25	+31	+8	+1	+1	-1	-4	-8	-7	-3	-6	-16	-18	-13
	construction confidence indicator (a)	+9	-36	-28	-47	-49	-45	-51	-53	-56	-54	-52	-56	-61	-58	-57
<b>D</b>	order-books	-17	-84	-30	-61	-73	-73	-74	-73	-69	-71	-68	-72	-66	-62	-63
	employment expectations	+10	-60	-7	-35	-44	-39	-40	-45	-28	-41	-36	-30	-17	-16	-16
	price expectations	+48	-37	-5	-41	-28	-39	-23	-12	-7	-9	-9	-12	0	-3	-2
	construction confidence indicator	-4	-72	-18	-48	-59	-56	-57	-59	-48	-56	-52	-51	-42	-39	-40
<b>F</b>	order-books	:	:	-31	-48	-62	-63	-66	-64	-58	:	-58	:	:	-63	:
	employment expectations	:	:	-12	-24	-35	-36	-34	-35	-29	:	-29	:	:	-37	:
	construction confidence indicator	:	:	-21	-36	-49	-49	-50	-50	-44	:	-44	:	:	-50	:
<b>I</b>	order-books	-25	-68	-33	-29	-44	-46	-42	-51	-49	-46	-55	-39	-52	-48	-51
	employment expectations	+10	-44	-11	-7	-13	-12	-9	-27	-21	-20	-31	-18	-15	-29	-12
	price expectations	+85	+30	+71	+71	+54	+56	+56	+30	+20	+31	+20	+21	+19	+16	+19
	construction confidence indicator	-8	-56	-22	-18	-29	-29	-26	-26	-35	-33	-43	-29	-34	-39	-32
<b>L</b>	order-books	+21	-50	-12	-21	-46	-44	-52	-51	-48	-44	-51	-52	-41	-57	-61
	employment expectations	+31	-39	+6	-6	-25	-29	-23	-17	-32	-17	-32	-36	-28	-22	-33
	price expectations	+82	+11	+45	+30	+17	+9	+20	+12	+3	+15	+14	+7	-13	-13	-10
	construction confidence indicator	+26	-45	-5	-14	-36	-37	-38	-34	-40	-31	-42	-44	-35	-40	-47
<b>NL</b>	order-books	-8	-81	-39	-50	-57	-58	-59	-59	-59	-57	-61	-58	-57	-56	-57
	employment expectations	+14	-13	-8	-14	-25	-27	-25	-21	-24	-22	-23	-26	-24	-16	-15
	construction confidence indicator	+3	-47	-24	-32	-41	-43	-42	-40	-42	-40	-42	-42	-41	-36	-36
<b>UK</b>	order-books	:	:	-33	-60	-59	-60	-55	-58	-47	:	-47	:	:	-52	:
	employment expectations	:	:	-27	-42	-25	-30	-19	-18	-14	:	-14	:	:	-11	:
	price expectations	:	:	+53	-16	0	+1	+9	-3	+11	:	+11	:	:	+6	:
	construction confidence indicator	:	:	-30	-51	-42	-45	-38	-38	-31	:	-31	:	:	-32	:
<b>EC</b> (d)	order-books	:	:	-32	-51	-61	-62	-61	-63	-58	(-61)	-59	(-57)	(-57)	-58	(-59)
	employment expectations	:	:	-14	-28	-24	-31	-28	-32	-25	(-30)	-28	(-25)	(-21)	-24	(-20)
	construction confidence indicator	:	:	-23	-39	-43	-47	-45	-48	-41	(-46)	-44	(-41)	(-39)	-41	(-40)

(a) The indicator is an average of the responses (net balances) to the questions on order-books and employment expectations.

(b) Details of the questions are given below.

(c) These are the extreme (high and low) values of the net balances of the different questions, reached in the course of 1972/73 and 1974/75, respectively.

(d) Owing to lack of data for certain Member States, Community totals are incomplete.

Note: The annual and quarterly figures are averages of the corresponding monthly data, except for France and the United Kingdom, where the survey is carried out on a quarterly basis. The monthly and related quarterly data are seasonally adjusted unless otherwise indicated; the seasonal adjustment applied to the most recent observations is provisional, so that such data are subject to later revision.

Source: European Community business surveys.

## European Community business surveys

The Community's business surveys, of industry and the construction sector, have been progressively developed since 1962. They are undertaken by national institutions on the basis of the Commission's harmonized questionnaires. The results are communicated to the Commission which processes and publishes the data for Member States and the Community as a whole. The number of enterprises surveyed in manufacturing industry is about 20 000, and in the construction sector about 10 000.

The questions put in the business surveys have the content and periodicity set out below. In general, the questionnaires are sent out at end-month and are returned by the respondents in the course of the following two or three weeks.

### QUESTIONS

#### Manufacturing industry, excluding food, beverages and tobacco

##### Monthly:

- estimate of production trend in recent months: up, unchanged, down?
- order-books: above normal, normal, below normal?
- export order-books: above normal, normal, below normal?
- stocks of finished products: above normal, normal, below normal?
- production expectations for the months ahead: up, unchanged, down?
- selling price expectations in the months ahead: up, unchanged, down?

##### Quarterly (January, April, July and October):

- employment expectations for the months ahead: up, unchanged, down?
- limits to production: none, insufficient demand, shortage of labour, lack of equipment?
- production capacity: more than sufficient, sufficient, not sufficient?
- duration of assured production: in months?
- new orders in the recent past: up, unchanged, down?
- export volume expectations for the months ahead: up, unchanged, down?
- capacity utilization: in %?
- stocks of raw materials: high, normal, low?

#### All industries, including manufacturing, extractive and food

Half-yearly (undertaken in March/April and October/November):

- investment trends and prospects: yearly percentage change of investment expenditure in current money values.

### Building industry

Monthly (except for France and the United Kingdom, where the survey is carried out quarterly):

- current production compared with the preceding month: up, unchanged, down?
- factors holding up production: bad weather, shortage of manpower, shortage of equipment, none?
- order-books or production schedules: above normal, normal, below normal?
- employment expectations for the months ahead: up, unchanged, down?
- price expectations in the months ahead: up, unchanged, down?

Quarterly (January, April, July and October):

- duration of assured production: in months?

### The surveys are undertaken by:

- B - Belgium: Banque Nationale de Belgique
- DK - Denmark: Danmarks Statistik
- D - Federal Republic of Germany: IFO (Institut für Wirtschaftsforschung)
- GR - Greece: Institute of Economic and Industrial Research
- F - France: INSEE (Institut National de la Statistique et des Etudes Economiques)
- IRL - Ireland: CII (Confederation of Irish Industries) and ESRI (Economic and Social Research Institute)
- I - Italy: ISCO (Istituto Nazionale per lo Studio della Congiuntura)
- L - Luxembourg: STATEC (Service Central de la Statistique et des Etudes Economiques)
- NL - Netherlands: CBS (Centraal Bureau voor de Statistiek)
- UK - United Kingdom: CBI (Confederation of British Industry), for the manufacturing industry survey
- DI (Department of Industry), for the investment survey
- National Federation of Building Trades Employers, for the construction survey.

The surveys of manufacturing industry are broken down by 20 industrial sectors, and also by consumer, intermediate and capital goods branches; the results in this detail are published each month by the Office for Official Publications of the European Communities in 'Business surveys' (ISSN 0378-4479). The results of consumer surveys appear three times a year in Supplement C to *European Economy*.

### ECONOMIC SENTIMENT INDICATOR

The economic sentiment indicator is a composite measure in which the industrial confidence indicator, the consumer confidence indicator and the share price index are given equal weight, while the construction confidence indicator (an average of two series of the EC survey of the construction industry, namely employment expectations and judgments on the level of order-books) is attributed half the weight of each of the other three. The share price index is included in the composite indicator in ratio-to-trend form, in order to separate short-term or cyclical variations from long-term increases in the real and nominal value of stocks and shares. The long-term trend of the series is calculated using the NBER Bry-Boschan growth cycle programme. For a fuller description of the economic sentiment indicator and its components, see the technical note in the November 1982 issue of this Supplement.

### Price (excluding VAT) in Luxembourg

	ECU	BFR	IRL	UKL	USD
Series B — 'Economic prospects — Business survey results' (11 issues per year)	9.82	400	6.75	5.80	11.50

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